



Diarmuid O'Connor

From: Diarmuid O'Connor
Sent: 12 May 2004 09:55
To: Stephen O'Connor
Subject: RE: RTE Annual Report

Stephen,

I reckon that if we aimed for anytime within the next two weeks, we should be ok.

Thanks,

Diarmuid.

-----Original Message-----

From: Stephen O'Connor
Sent: 11 May 2004 18:50
To: Diarmuid O'Connor
Subject: RE: RTE Annual Report

Diarmuid

That's no problem, what is your timing on this?

Rgds
Stephen

-----Original Message-----

From: Diarmuid O'Connor
Sent: 10 May 2004 16:44
To: Stephen O'Connor
Subject: RTE Annual Report

Stephen,

I understand you have recently received a copy of RTE's financial position 2003. I am expecting a copy of the 2003 annual report very shortly and will be preparing a memorandum, brief etc to bring this report to Government.

To assist me in this, I would be obliged if you could prepare an analysis for me of the financial statements you have already received.

With thanks,

Diarmuid O'Connor,
Broadcasting Division.

Ext. 3095

sa

Diarmuid O'Connor

From: Stephen O'Connor
Sent: 20 May 2004 19:21
To: Diarmuid O'Connor
Cc: Eamonn Molloy; Brendan Tuohy; Sheila Clifford; Ciaran O hObain; Ciara O'Sullivan
Subject: RE: RTE Annual Report

Diarmuid
Please find attached a review of the RTE accounts together with a financial appendix which you can attach to the memo for Gov.

Please send on the report when it arrives
Rgds



2003 Accounts
Review.doc



2003 Accounts
Summary.xls

Stephen

-----Original Message-----

From: Diarmuid O'Connor
Sent: 10 May 2004 16:44
To: Stephen O'Connor
Subject: RTE Annual Report

Stephen,

I understand you have recently received a copy of RTE's financial position 2003. I am expecting a copy of the 2003 annual report very shortly and will be preparing a memorandum, brief etc to bring this report to Government.

To assist me in this, I would be obliged if you could prepare an analysis for me of the financial statements you have already received.

With thanks,

Diarmuid O'Connor,
Broadcasting Division.

Ext. 3095



Radio Telefís Éireann

Príomh-Stiúrthóir/Director-General

Baile Átha Cliath 4, Éire
Teileafón 01 208 4531
Facsimhír 01 208 4532
Ríomhphost dg@rte.ie

Dublin 4, Ireland
Telephone 01 208 4531
Telefax 01 208 4532
E-mail dg@rte.ie

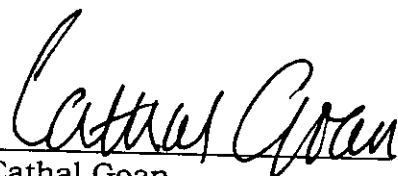
Eamonn Molloy,
Assistant Secretary,
Department of Communications, Marine
and Natural Resources,
Adelaide Road,
Dublin 4.

24 May 2004

Dear Eamonn,

Enclosed please find 30 copies of the English language version of the RTÉ Annual Report 2003 for circulation to Government.
The Irish language version and the combined language report, which this year as you know will be an e-version, will follow shortly.

Yours sincerely,


Cathal Goan

20 additional copies received 25-5-2004

Radio Telefís Éireann

**Chairperson's Report to the Minister for Communications, Marine
and Natural Resources in accordance with Paragraph 10.2 of the
Code of Practice for the Governance of State Bodies**

Year Ended 31st. December 2003

CONTENTS

CHAIRPERSON'S REPORT

Page

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ATTACHMENTS

RTÉ ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

Foreword

The RTÉ Authority adopted the Code of Practice for the Governance of State Bodies ("Code of Practice") at its meeting on 17 January 2002. It has also adopted the corporate governance and other obligations imposed by the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001.

This report fulfills RTÉ's reporting requirements to the Minister for Communications, Marine and Natural Resources set out in paragraph 10.2 of the Code of Practice.

Statement of compliance

Except for those matters noted below with regards to financial reporting procedures and government policy on the pay of Chief Executives, in my opinion, RTÉ and its subsidiary undertakings have complied with the following requirements of the Code of Practice for the Governance of State Bodies during 2003 and up to the date of this report:

- i). all appropriate procedures for financial reporting, internal audit, procurement and asset disposals are being carried out;
- ii). the Code of Business Conduct for Directors and Employees has been put in place and adhered to;
- iii). Government policy on the pay of the Chief Executives and all State body employees is being complied with;
- iv). Government guidelines on the payment of Directors' fees are being complied with; and
- v). Guidelines for the appraisal and management of capital expenditure proposals are being complied with.

As required by paragraph 12.1 of the Code of practice I can also affirm that RTÉ did not engage in any "offensive" tax avoidance transactions during 2003 and, in my opinion, RTÉ complied with its obligations under tax law during 2003.

Exceptions to Code of Practice compliance

Financial reporting procedures

The Audited Consolidated Financial Statements of RTÉ for the year ended 31st.December 2003 were approved and adopted by the RTÉ Authority at its meeting on the 1st.April 2004 and will be published as part of RTÉ's Annual Report for 2003. Except for the non-publication of the annual report within four months of the end of the financial year in my opinion, appropriate financial reporting procedures are carried out in RTÉ.

Government policy on the pay of Chief Executives and employees

The total remuneration of the Director-General and the Ceannasaí of TG4 (who for is considered to be equivalent to the Chief Executive of Seirbhísí Theilifís na Gaeilge Teoranta) is disclosed in RTÉ's annual report. However, to avoid disclosing personal performance related information in the 2003 annual report, this total remuneration is not analysed in the annual report between basic salary, performance related pay and pension contributions and the total value of the Director General's or Ceannasaí superannuation benefits is not disclosed. Details thereof are as follows:

[REDACTED]

[REDACTED]

Other reporting requirements of the Code of Practice

In accordance with paragraph 10.2, other reporting requirements of the Code of Practice are set out below.

Commercially significant developments

The Chairperson's statement, Director-General's statement and the Financial Review included within the annual report for the year ended 31 December 2003 review the commercially significant developments affecting RTÉ during 2003.

Internal financial control

The RTÉ annual report includes details of the system of internal financial control in place during the year which is in compliance with the requirements of the Code of Practice.

The external auditors have reviewed RTÉ's compliance with the code of practice and report their findings in their audit report included with the RTÉ annual report.

Establishment of subsidiaries and acquisitions by RTÉ

RTÉ Transmission Network Limited, a wholly owned subsidiary of RTÉ, was established during 2003 with the prior written approval of the Minister for Communications, Marine and Natural Resources.

Diversification

In my opinion, RTÉ did not take any actions during 2003 that would significantly extend or change the nature, scope or scale of its activities.

Significant post balance sheet events

There were no significant events affecting RTÉ since the approval of the financial statements for the year ended 31 December 2003 on 1 April 2004.

Patrick J Wright
Chairperson
On behalf of the RTÉ Authority

ón gCathaoirleach
from the Chairman
Patrick J. Wright

Mr Dermot Ahern, TD
Minister for Communications, Marine
and Natural Resources
Leeson Lane
Leeson Street
Dublin 2

28th May 2004

RTÉ Annual Report 2003

Dear Minister

In accordance with Section 26 of the Broadcasting Authority Act 1960, I enclose a copy of the Authority's Annual Report for the financial year ended 31st December 2003. My statement contained in the Annual Report reviews the major developments affecting RTÉ in 2003.

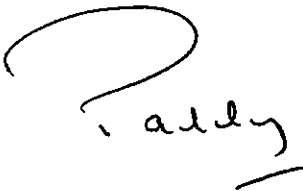
The Report contains an expanded Authority Members Report, pages 33 to 36, which details RTÉ's adherence to good Corporate Governance principles.

Details of Authority members' fees and expenses are set out on page 35 of the Report. The only payment of a fee to a subsidiary board member was to Mr Peter Bacon, Chairman of Seirbhísí Theilifís na Gaeilge Teoranta, who received a fee of €6350 and expenses of €800 in 2003.

I also attach my report in relation to the implementation of the Code of Practice for the Governance of State Bodies.

Finally, I would like to record my gratitude and appreciation for you and your office's assistance and support throughout the year.

Yours sincerely



Patrick J Wright

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Date: Monday, May 31, 2004
Page: 22
Extract: 1 of 1
Circulation: 115.502
Author: EMMET OLIVER
Headline: RTE will report €2m surplus for 2003

RTE will report €2m surplus for 2003

EMMET OLIVER

RTE is set to report an after-tax surplus of more than €2 million for 2003 amid major competitive pressures in the key area of TV advertising and sponsorship.

The broadcaster's annual report and accounts for 2003 are due to be approved by Government within the next fortnight.

While the annual report will show advertising revenue under continuing pressure, cost control has prevented the station from slipping into a deficit once more.

The station set itself a target of €3 million plus surplus, but it is understood the final figures will fall short of this.

However, chairman of the RTE Authority, Mr Paddy Wright, is expected to say this was a credible performance considering the international climate for advertising.

He will warn, however, that RTE faces continuing threats to its financial stability from competitors, many of them based in Britain.

The station is also expected to refer to lower-than-expected returns from TV licence collection by An Post.

The two State-owned organisations have clashed repeatedly on the issue of TV licence revenue, with An Post signalling its intention to stop providing the service in the years ahead.

Pending restrictions on children's advertising from the Broadcasting Commission of Ireland (BCI) will also curb the station's income performance this year, although another surplus is expected in 2004.

Plans to sell off land in Beaumont, in north Co Dublin, are expected to provide a once-off windfall for the station.

Despite ratings successes for shows like *Friends*, *You're A Star* and *Celebrity Farm*, the station's TV advertising income has been under serious pressure from the likes of Sky and TV3, but also from other media sectors such as radio, internet and press.

Nevertheless, RTE programmes continued to dominate the top 20 list, with the *Eurovision Song Contest* delivering 843,000 adult viewers. Even more like the...

rent affairs managed to bring in large audiences for the station in 2003, with several *Prime Time* specials getting up to 472,000 adult viewers.

But in the first 10 months of the year there was a €7.7 million shortfall in television advertising and sponsorship sales. However, the ending of a long feud with Proctor & Gamble shortly before Christmas did give the station a boost.

The station is believed to have made more than €9 million in cost savings in 2004, with staff numbers reduced under a voluntary severance package.

However, the Minister for Communications, Mr Ahern, expressed dissatisfaction at the pace of cost savings when he assessed the station's application for an inflationary rise in the licence fee shortly before Christmas.

After reviewing a report from PricewaterhouseCoopers, the Minister turned down the station's application for a €3.5 increase.

Instead, he granted a €2 increase, bringing the licence fee to €152 a year.

This decision was described as a "missed opportunity" by the station just before Christmas.

for 2003

Diarmuid O'Connor

From: John King
Sent: 01 June 2004 11:06
To: Diarmuid O'Connor
Subject: RE: RTE Annual Report 2004

D

Sorry to say this, old boy, but that's supposed to be your job!!!

JK

-----Original Message-----

From: Diarmuid O'Connor
Sent: 01 June 2004 10:36
To: John King
Subject: RTE Annual Report 2004

John,

The RTE Annual Report 2003, The Chairpersons letter and the Code of Practice Checklist are on the way up to you.

Would you mind having a look at these and let me have any comments you may have in respect of the Corporate Governance guidelines.

With thanks,

Diarmuid,
Broadcasting Division.

Diarmuid O'Connor

From: Diarmuid O'Connor
Sent: 08 June 2004 17:03
To: Ciaran O hObain
Cc: Sheila Clifford
Subject: RTE Corporate Governance

Ciaran,

I have redrafted Code of Practice guidelines. The remaining section you wish to check yourself with RTE is Section 11, Strategic and Corporate Planning dealing with Corporate Plan.



Checklist for Code
of Practice...

Diarmuid.

Department of Communications,
Marine and Natural Resources

An Roinn Cumarsáide,
Maró agus Acmhainní Nádurra

Office of the Minister

Our Ref: S01/W04

Dublin 2

Tel +353 1 678 2000

LoCall 1890 44 99 00

Fax +353 1 678 2029

Email: minister.ahern@dcmnr.ie

www.dcmnr.gov.ie

Private Secretary to the Tánaiste,
Government Buildings,
Kildare Street,
Dublin 2.

V 2 .
35 736 .

10 June 2004

Annual Report & Consolidated Accounts for RTE year ended 31 December 2003

Dear Sir or Madam:

I am directed by the Minister for Communications, Marine and Natural Resources to forward for your attention the attached Memorandum for Government in the above regard concerning RTÉ for the year ended 31 December 2003.

The Minister has asked that the Memorandum be placed on the Government agenda for the meeting on Tuesday 15 June, 2004 for presentation of the Report prior to having it laid before both Houses of the Oireachtas.

Copies have also been sent to the Taoiseach and the Minister for Finance.

Yours faithfully



Eamonn Confrey,
Private Secretary.

Communications

Broadcasting

Energy

Marine

Natural Resources

Department of Communications,
Marine and Natural Resources

(12)

An Roinn Cumarsáide,
Mara agus Acmháiní Nádartha

Office of the Minister

Oifig an Aire

Our Ref: S01/W04

Dublin 2

Tel +353 1 678 2000

LoCall 1890 44 99 00

Fax +353 1 678 2029

Email: minister.ahern@dcmnr.ie

www.dcmnr.gov.ie

x 2

33 + 34.

Private Secretary to the Minister for Finance,
Government Buildings,
Upper Merrion Street,
Dublin 2.

10 June 2004.

Annual Report & Consolidated Accounts for RTE year ended 31 December 2003

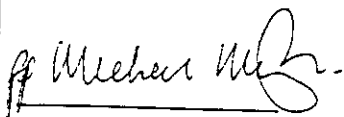
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Yours faithfully



Eamonn Confrey,
Private Secretary.

ommunications

Broadcasting

Energy

Marine

ral Resources

Department of Communications,
Marine and Natural Resources

(B)

An Roinn Cumarsáide,
Mara agus Acmhainní Náddúrtha

Office of the Minister
Our Ref: S01/W04
Oifig an Aire

Dublin 2

Tel +353 1 678 2000

LoCall 1890 44 99 00

Fax +353 1 678 2029

Email: minister.ahern@dcmnr.ie

www.dcmnr.gov.ie

Private Secretary to the Taoiseach,
Government Buildings,
Upper Merrion Street,
Dublin 2.

X 2.

31+32

10 June 2004.

Annual Report & Consolidated Accounts for RTE year ended 31 December 2003

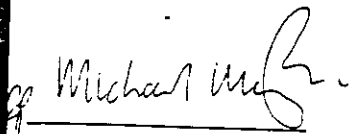
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Yours faithfully



Eamonn Confrey,
Private Secretary.

Communications

Broadcasting

Energy

Marine

Natural Resources

14

*** TX REPORT ***

TRANSMISSION OK

TX/RX NO 0378
CONNECTION TEL 96194267
SUBADDRESS
CONNECTION ID
ST. TIME 10/06 10:34
USAGE T 01'02
PGS. SENT 3
RESULT OK



Broadcasting Division
Department of Communications,
Marine & Natural Resources
29-31 Adelaide Road
Dublin 2

FAX MESSAGE

TO	FROM
Mr Neil Carron	Michael Murphy
Government Secretariat:	Broadcasting Division
6194267	Direct dial: 678 3097
	Fax: 678 3099
10 June 2004	Email: michael.murphy@dcmnr.ie

ITEM FOR THE GOVERNMENT AGENDA 15 JUNE, 2004

Annual Report and Consolidated Accounts for Radio Telefís Éireann for the year ended 31 December 2004

Please See Attached

Another Item Follows.

The 80 Copies will be delivered by hand before 15 today...

Number of pages: 3 inclusive

*Spoke with N Carron
Fax received M.M.*



Broadcasting Division
Department of Communications,
Marine & Natural Resources
29-31 Adelaide Road
Dublin 2

FAX MESSAGE

TO	FROM
Mr Neil Carron	Michael Murphy
Government Secretariat	Broadcasting Division
6194267	Direct dial: 678 3097
	Fax: 678 3099
10 June 2004	Email: michael.murphy@dcmnr.ie

ITEM FOR THE GOVERNMENT AGENDA 15 JUNE, 2004

Annual Report and Consolidated Accounts for Radio Telefis Éireann for the year ended 31 December 2003

Please See Attached

Another Item Follows.

The 30 Copies will be delivered by hand before 10 today.

Number of pages: **3** inclusive

Department of Communications,
Marine and Natural Resources

156

Dublin 2

*An Roinn Cumarsáide,
Mara agus Acmhainní Nádartha*

Tel +353 1 678 2000
LoCall 1890 44 99 00
Fax +353 1 678 2029
Email: minister.ahern@dcmnr.ie
www.dcmnr.gov.ie

Office of the Minister
Oifig an Aire

Our Ref: SI/1 – W/04

15 June, 2004.

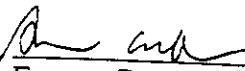
Private Secretary to the Government,
Government Buildings,
Merrion Street,
Dublin 2.

Annual Report & Consolidated Accounts for RTE year ended 31 December 2003

I am directed by the Minister for Communications, Marine and Natural Resources to forward for your attention the attached Memorandum for Government in the above regard, concerning RTE for the year ended 31 December 2003.

The Minister has asked that the Memorandum be placed on the Government Agenda for the meeting on 15 June 2004 for presentation of the Report prior to having it laid before both Houses of the Oireachtas.

Yours sincerely,


Eamon Confrey
Private Secretary

ommunications

Broadcasting

Energy

Marine

al Resources

1. Mr. Molloy
2. Secretary General
3. Runai Aire

RTE Annual Report 2003

Please find attached a copy of the RTE Annual Report for 2003. A draft Memorandum for Government bringing the report to the attention of the Government before laying it before each house of the Oireachtas is also attached.

Ciaran O'hObain
26 June 2004

DOCUMENT(S) TO BE LAID BEFORE HOUSE OF OIREACHTAS

The Seanad
Clerk of

I enclose copies* of the undermentioned document(s) to be laid before the House.
The information sought below is as set out.

Dáimíad Ó Conaor

AP. Ciaran O'Hoban
Head of Department or other Body

1. Department or other body laying document	<i>Communications, Marine and Natural Resources</i>
2. Title of document	<i>RTE Annual Report & Consolidated Financial Statements 2003</i>
3. If laid pursuant to statute, state Title and section of Act	<i>Nil</i>
4. Is there a statutory period in relation to the laying of the document? If so, give particulars	<i>.....No.....</i>
5. Is a motion of approval necessary	<i>.....No.....</i>

*Three copies of the document in respect of each House, or six copies where it is to be laid before one House only.

DOCUMENT(S) TO BE LAID BEFORE HOUSE OF OIREACHTAS

The Dáil
Clerk of

I enclose copies* of the undermentioned document(s) to be laid before the House.
The information sought below is as set out.

Dáineid Ó Cona
AP. Pádraig Ó hÓbáin
Head of Department or other Body

1. Department or other body laying document	<i>Communications, Marine and Natural Resources</i>
2. Title of document	<i>RTE Annual Report & Consolidated Financial Statements 2003</i>
3. If laid pursuant to statute, state Title and section of Act	<i>Nil</i>
4. Is there a statutory period in relation to the laying of the document? If so, give particulars	<i>No.....</i>
5. Is a motion of approval necessary	<i>No.....</i>

*Three copies of the document in respect of each House, or six copies where it is to be laid before one House only.



Ref: SI/128-H/03

17 June 2003

Mr. Tom Quinn,
Secretary,
Radio Teilifís Éireann,
Donnybrook,
Dublin 4.

RTE Annual Report and Accounts 2003

Dear Tom,

Please note that the RTE Annual Report and Accounts for 2003 were laid before both Houses of the Oireachtas.

Yours sincerely,

Diarmuid O'Connor,
Broadcasting Division.

29-31 Adelaide Road
Dublin 2

Author: JEROME REILLY

Headline: TV talent show success helps drive RTE €2m profit

FREE HOLD

TV talent show success helps drive RTE €2m profit

JEROME REILLY

THE dumbing down of RTE appears to have worked with Montrose set to announce a €2m profit built on the low-budget glitz of Micky Joe Harte and *You're a Star*.

It is a devastating blow for advocates of RTE's public service remit who openly despise the cheap and cheerful talent show.

And the critics who panned Louis Walsh, Phil Coulter, presenter Linda Martin and the cast of young hopefuls have been forced to eat their words.

RTE's annual report and accounts due to be published soon show the Donegal man's appearance in the final of the *Eurovision Song Contest*, and his *You're a Star* triumph, each attracted a million viewers.

They were RTE's most watched television programmes but were closely followed in third place by the pre-Christmas tradition of the *Late Late Toy Show* presented by Pat Kenny.

The *Nine O'Clock News* on March 9, 2003, which gave the national broadcaster its fourth largest audience, was broadcast the same night as the televised final of *You're a Star*.

Irish viewers were more interested in whether Mickey Joe Harte pipped Simon Casey to represent Ireland in Latvia than events in the Middle East as the world teetered on the brink of war in Iraq.

Winning Streak, *Fair City* and the final night of the financially troubled *Rose of Tralee* were ahead of the spectacular *Special Olympics Opening Ceremony* from Croke Park.

Killinaskully — RTE's New Year's Eve comedy put together by Pat Shortt — was next in popularity followed by the All-Ireland football final between Tyrone and Kerry in 10th position.

RTE's €2m profit was creditable but below the RTE authority's target of €3m.

Advertising revenue has been squeezed because of greater competition but costs have been cut substantially.

Continuing anger about collection levels of the television licence fee will also be referred to in the national broadcaster's annual report and accounts for 2003.

RTE wanted a €3.50 increase in the licence fee but Communications Minister Dermot Ahern insisted that RTE become more efficient. He granted a €2 increase to bring the annual fee up to €152.

As part of his get-tougher

approach on RTE's finances he says he could not foresee circumstances in which future large increases would be sought or approved by the Government.

"We have put in place a mechanism to independently review the licence fee each year, taking account of inflation.

"That formula should prove sufficient and if RTE has other major projects it should now be able to pursue those using its own resources," the Minister believes.



THE GANG OF FOUR: Darcy, Coulter, Martin, and Walsh



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Radio Telefís Éireann

óin Rúnai Ghrúpa RTÉ
from RTÉ Group Secretary

21st June 2004

Baile Átha Cliath 4, Éire
Teileafón 01 208 2371
Facsimhír 01 208 4332

Dublin 4, Ireland
Telephone 01 208 2371
Telefax 01 208 4332

Mr Diarmuid O'Connor
Broadcasting Division
Department of Communications, Marine
and Natural Resources
29-31 Adelaide Road
Dublin 2

Your ref: **SI/128-H/03**

Dear Diarmuid

I acknowledge with thanks your letter dated 17th June concerning the **RTÉ Annual Report and Accounts 2003**.

Yours sincerely

Tom Quinn

123



RTE sees a profit despite tougher market

Advertising and sponsorship revenue falls below expectations

EMMET OLIVER

State-owned broadcaster RTE has gone into the black for the first time in five years, although the station admitted advertising and sponsorship revenue had fallen below expectations in 2003.

The broadcaster's results for 2003 show overall revenue up to €312 million from €271 million, mainly due to an increase in the licence fee granted by the Government in December 2002.

The station recorded a surplus of €2.2 million, reversing the deficit of €56 million posted in 2002. This is the station's first surplus since 1998.

It also reported a €21.5 million surplus on earnings before interest, tax, depreciation and amortisation (EBITDA). However due to intense competition from broadcasters like Sky, TV3 and various commercial radio sta-

tions, RTE's advertising/ sponsorship revenue fell by €3.7 million to €132 million.

The station said this reflected "difficult market circumstances" and RTE director-general Mr Cathal Goan said there was increased penetration by satellite operators and TV3 was "simul-

casting more and more output with ITV in Britain".

Looking at 2004 the station's chairman, Mr Paddy Wright, said advertising in the first five months of the year was up on 2003, although he acknowledged the number of new radio licences issued by the Broadcasting Commission of Ireland (BCI) was having an impact on RTE's market share. Asked what surplus RTE might produce in 2004, Mr Wright said: "About the same as this year". He said the station would look for a full inflationary increase in the licence fee from the Government, but this was a matter for later in the year.

Mr Goan said a "more assertive marketing campaign" would be undertaken to promote RTE's radio offering, which has been losing significant market share.

"In radio in recent years, the increase in local targeted services has seen a decline in RTE's share as a national operator. This erosion has been the focus of particular strategic study in the radio division and a more assertive marketing campaign for the individual stations will shortly be in evidence across all media," he said.

Mr Conor Hayes, chief finan-

cial officer, said the station had totally overhauled its financial accounting and reporting systems, now covering six integrated business divisions.

Figures arising from this overhaul show that apart from licence fee revenue, the biggest contributors to the station's bottom line were commercial revenue from television, radio, networks and publishing.

These sections produced the following revenue amounts in 2003: television (€101 million); radio (€34 million); networks (€20 million) and publishing (€12 million).

The networks unit manages the station's collection of masts which are dotted around the State. RTE charges telecoms companies and fellow broadcasters like TV3 for using these masts. The publishing division refers to the *RTE Guide* and various revenue generating websites.

Mr Hayes said while the Government agreement to increase the licence fee by €43 was welcome, RTE had hoped for greater revenue from this area. He said licence fee income was collected by An Post and there was nothing RTE could do if certain targets were not met.

In the station's annual report Mr Wright said a "cursorial glance" at employee numbers "may cause some concern". These figures show the total number of employees rising from 1,850 in 2002 to 2,135 last year.

Mr Wright said this was due to contractors moving onto the payroll following changes in Irish and European law. He said there was no extra cost to RTE. Despite remarks by the Minister for Communications, Mr Ahern, late last year that RTE had not reduced its staff numbers enough, Mr Wright said the station was at a comfortable level.

Publication: Irish Times

Date: Wednesday, June 16, 2004

Page: 17

Extract: 2 of 2

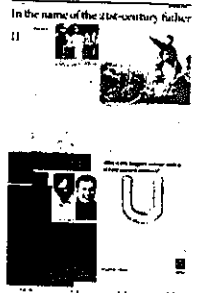
Circulation: 115,502

Author: EMMET OLIVER

Headline: RTE sees a profit despite tougher market



RTE chairman Mr Paddy Wright: Advertising in the first five months of this year was up on 2003, although he acknowledges the number of new radio licences is having an impact on market share. Photograph: Fran Veale



RTE's licence to bill: where has all the money gone?

Minority stations guzzle cash while, competitors believe, earners such as 2FM are neglected, says **Colum Kenny**



RTE reported last week that it received nearly €158m from the TV licence fee during 2003. That is almost twice what it got from Irish homes in 1999.

The recent big hike in the annual licence fee has allowed RTE to dig itself out of the red, for the first time since 1999. But the surplus it reported last week was still below €3m, despite the fact that the licence fee increase meant an extra €43m for the state-owned station. Only about €16m of that windfall was spent on additional Irish-made programming during the same period.

Without the TV licence fee, RTE would report a massive loss. This fact leads Rick Hetherington of TV3, to scoff at headlines reporting a "profit" at RTE, rather than simply a "surplus".

The TV3 chief points out that the EU last month ordered the state-owned Danish TV broadcaster to repay state aid of €84.4m plus interest. He says that the state-aided RTE competes directly with TV3 and claims that, "they are buying programmes at more than their reasonable value". RTE spent nearly €23m purchasing foreign TV programmes last year.

RTE's reported surplus also hides the fact that RTE's com-

mercial income has actually fallen, by a net €3m last year. Some of its competitors claim that the station is selling its airtime too cheaply to advertisers, in an effort to undercut fully commercial stations.

Dan Healy, chief executive of Dublin's NewsTalk, says, "I gagged at the figures". He claims that NewsTalk last week broadcast more and better election coverage than did RTE radio but complains, "RTE systematically hoovers young journalists out of local radio at salaries we cannot afford. It is not income that is paying for it. It is licence fee". NewsTalk broadcasts 17 hours of talk radio each weekday, but gets none of the licence fee. Healy describes RTE as "brutally competitive".

However, RTE points out that it faces tougher competition than ever before, with the Broadcasting Commission of Ireland (BCI) licensing new Irish radio stations and with Sky being permitted to drop Irish ads into the services that it relays here from Britain. And a new Irish sports channel may come on-stream for Dublin cable viewers by September next.

Despite financial pressures, the number of employees at RTE is reported to have risen, from 1,747 in 2002 to 2,025 last year. RTE's chairman, Paddy Wright, admitted last week that, "A cursory glance at employee numbers may cause some concern". However, he attributes the change merely to "best prac-

tice under Irish and European law". Some employees were previously accounted for as independent contractors.

RTE now, at last, breaks down its income and expenditure between its various channels and services. This reveals that TG4, the partly Irish-language subsidiary of RTE, now costs RTE almost €12m each year. That is mainly for supplying what the former Government minister, Michael D Higgins, used to call a "free" hour of programming each day. In addition, TG4 has also continued to receive increasing amounts of direct state aid, more than €21m last year.

This means that TG4 is now being subsidised by the public to the tune of almost €33m annually. It is watched on average at any one time by fewer than three in every 100 viewers. For its part, Raidió na Gaeltachta is costing RTE nearly €9m annually for a tiny audience.

The new accounts reveal that 2FM is costing RTE only slightly more than Raidió na Gaeltachta but earning the station €16.8m. RTE says that 2FM is not subsidised by the licence fee in any way.

The Chief Executive of Today FM, Willie O'Reilly, welcomes the increased openness at RTE but says, "We need to see more. We don't know how they allocate costs". He wonders "Why is RTE not getting more money out of 2FM, given its potential?". He suspects that airtime on the station is

being undersold to advertisers. Both he and Dan Healy of NewsTalk refer to a lack of vision at 2FM, with Healy believing that RTE's second radio service "is in fecking freefall. There is no strategy or direction apparent".

The annual report is not transparent enough to include details of the big fees being paid to RTE "stars", but RTE clearly believes that these fees are justified by the revenue that people like Pat Kenny and Gerry Ryan generate. Were it not for such stars, then RTE's commercial income might also drop further. This allows RTE to claim that the "stars" are not being subsidised by the licence fee, but it also locks the station into a vicious production cycle where it is reluctant to upset its apple cart by committing to new talent and new ideas at peak listening times.

The report shows that RTE Authority members are paid about three times as much as board members of the BCI, which licences Ireland's many commercial or community stations and supervises a range of other activities. RTE's chairman gets more than four times as much as BCI chairman, Conor Maguire. This favouring of Donnybrook is irrational, especially as RTE has many more senior employees to help its board than does the busy BCI.

Publication: Sunday Independent

Date: Sunday, June 20, 2004

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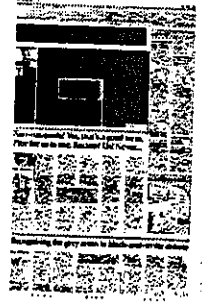
Circulation: 292.499

Author: Colum Kenny

Headline: RTE's licence to bill: where has all the money gone?



BIG EARNERS: Pat Kenny and Gerry Ryan



RTE's dominance of televised sports is a clear abuse of licence fees

Brian Carey

HE black box has been opened out in RTE. The publication of the state broadcaster's 2003 results attributes for the first time the €157m in licence fees, gathered from the great unwashed of Ireland, to the various activities of the group. And yes, you can start to see where all the money goes. A news and current affairs budget of €60m represents a chunky wedge but it is public service. Lyric FM, TG4, Radio na Gaeltachta and the orchestras are subsidised to the tune of €40m. Maybe a bit pricey on the Irish language front - TG4 also gets €22m in state aid - but this is our culture and heritage. It can be justified.

Purchases of commissioned independent programmes, from *Bachelors Walk* to *Paths to Freedom*, amounts to €27.7m, that is about €27.699m more than TV3, so, no complaints there either. Arts and religious programming cost €5m. Another €17.7m was spent on 'factual programmes', again not exactly the forte of the independent broadcaster and at least half of that could possibly be public service broadcasting.

Finally, there's a transmission network. A national asset, it has to be maintained. So, you see, it's not so hard to account for €157m or how ever many cents a day. We can all curl up and go to sleep, safe in the knowledge that RTE is

spending its licence fee in a fair, transparent and prudent manner.

A closer examination of the figures, however, provides a jolt to the system. Apparently, RTE spends €34m of its public service levy on Network 2. There is no reconciling this sum. Network 2 is a blatantly commercial television channel, a diet of kids TV, American comedy and drama and sport.

The Network 2 spend on religious and factual programming is €162,000. Its arts programming budget is a big fat zero. Its own dedicated news budget is €2.1m.

The canny old Aran jumpers out at RTE lump education with children's programming, but the vast bulk of this €9m budget goes on *Rugrats* and *Thomas the Tank Engine*. From 7am to 7pm, Network 2 is taking on Nickleodeon.

So, where is this great public service ethos? It seems that Network 2 spends about 80% of its licence fee allocation on sports programming and in 2003, this means the state broadcaster spent some €27.5m on blood, sweat and tears.

While there are no hard and fast rules here, RTE's public service obligations in sport could not be clearer. It is the so-called heritage events. Annually, that means Irish home international soccer matches, the All Ireland football and hurling finals, Six Nations rugby internationals and the Derby. That does not equate to €27.5m worth of sports programming.

Every four years, there is the rugby and soccer world cups, European soccer championships, and the Olympic Games. Of that lot, in 2003, the only major event was the Rugby World Cup. RTE Network 2 still spent €27.5m on sports programming.

Beyond these basic so-called heritage events, everything else should be considered commercial. The licence fee should not be used to produce *The Premiership*, for example. It clearly is. Ditto the US Masters golf, the Champions League soccer, the Heineken Cup in rugby or races from Cheltenham. RTE has used the licence fee to invest hugely in sport and prop up the Network 2 schedule.

Leave aside the Special Olympics, (which was truly public service broadcasting), and sports programmes filled 14 of the top 20 shows on Network 2 last year and seven of the top ten. Of the top 20, *Winning Streak* and three movies filled the other slots.

Just like Sky, RTE is using sport as a kind of 'battering ram' for Network 2. GAA fans glory in the ability to watch Dublin v Westmeath or Kilkenny v Wexford, but there is really no justification for using the licence fee to broadcast these games live. Up to a decade ago, it was rare for a provincial championship match to be transmitted live. RTE now broadcast first round games, qualifiers and qualifier replays.

In a small TV market, RTE's dominance of sports broadcasting, for all its

merit and high standards, represents unfair competition. It is a clear abuse of the licence fee. Along with the €3.6m 'surplus' at radio station 2FM, (even after accounting for Gerry Ryan's €600,000 salary), Network 2's licence fee attribution stands as a glaring anachronism.

One wonders how much longer RTE will be allowed to use the licence fee to buy sport.

Independent pay-TV company Setanta last week announced its intention to launch a sports channel on ntl's cable network. RTE head of sport Niall Cogley recently defected from Montrose to take the top job at Setanta. Does Cogley know something we don't?

As minister for transport Séamus Brennan ties himself in knots trying to unravel Aer Rianta, it is hard not to feel that he has

picked the wrong target.

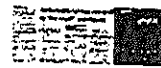
RTE should be broken up. Commercial channels Network 2 and 2FM should be sold. Montrose, an unlikely and unsuitable location with a huge development value, should also be auctioned and operations located to a more appropriate location. The proceeds of these disposals could then be used to capitalise Public Service Broadcasting, which in turn would still be supported by a licence fee.

At the very least, the licence fee should be assigned in a fair manner.

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headline: RTE predicts a 22% boost in fee income

27/06/04



RTE predicts a 22% boost in fee income

Douglas Dalby

RTE is projecting a 22% increase in licence-fee income to €194.7m by the end of 2006, but still expects to make only modest profits.

The projection is contained in a confidential submission presented to Dermot Ahern, the minister for communications. The minister, who increased the licence fee by €43 to €150 in December 2002, said subsequent increases in the licence fee would be based on inflation. This was the basis for the €2 hike agreed last January to cover this year.

RTE expects the increased licence-fee income to come from more efficient collection and from the estimated 150,000 additional houses due to be built over the next three years, most of which will require licences.

Two weeks ago RTE announced a €2.3m surplus for 2003, its first in four years. The turnaround was due entirely to the increase in the licence fee, which brought in an additional €43m to the broadcaster.

Licence-fee income jumped from €112m in 2002 to €159m in 2003. According to the submission RTE sees this figure increasing to €194.7m by 2006. The projected cost of running the television stations alone account for €186m of that amount.

Although advertising income is projected to grow incrementally over the next three years, without the increased licence-fee income RTE would face losses every year going forward. In the absence of this additional cash, RTE would be facing a net loss of about €12m in 2006 according to the document.

RTE management has been keen to take credit for its recent return to relative financial health, talking up a reduction in headcount as evidence of the pain endured by the organisation.

When Ahern granted the recent licence fee increase, Paddy Wright, the RTE chairman, said that while he wel-

comed it, the organisation deserved more.

"I believe it represents only a partial recognition of change achieved by RTE and therefore a missed opportunity by government to fully recognise the dramatic changes made at all levels in RTE," he said.

It has now emerged that RTE is paying on the double for reducing its staff numbers. The company booked a €27.5m payment in its 2002 accounts, primarily to pay for severance packages.

The station has confirmed that some former employees

who had accepted redundancy packages have been rehired on contract to do the jobs they had just left. "On occasion, as allowed for under redundancy arrangements, a small number of former staff are hired back on limited short-term contracts — usually in specialised skills areas," RTE said.

Insiders said they were mystified by a policy that appears to be tantamount to paying people double, when the object of the exercise was to cut costs.

"Some people took redundancy on Friday and literally came back the following Monday on a contract," one said.

There was better news for the organisation on the commercial front last week. Advertising sales in the broadcasting area are up 8% on the first quarter of 2003. The Euro 2004 clash between England and Portugal attracted 471,936 viewers — 13% of the population.